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DIRECTORATE OF
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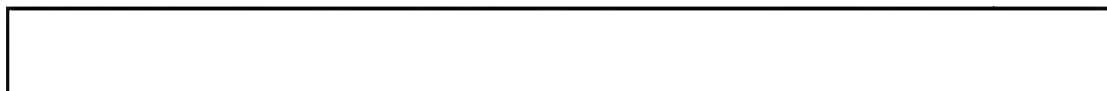
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Thailand: Bangkok's troubled relations with the US are being further strained.

The Thai are deeply concerned over what they view as US interference with a deal for the sale of 20,000 tons of Thai rice to Saigon. Some cabinet officials view South Vietnamese withdrawal from the rice negotiations--with the assertion that it was at US "orders"--and the substitution of a US rice delivery to Saigon as clear evidence of US chicanery. Foreign Minister Thanat has led the attack, implying to the US ambassador that the American action was deliberately cutthroat and labeling as specious the ambassador's explanations to the contrary.

Bangkok is reacting strongly to each new sign that appears to be a downgrading of Thai interests by Washington. Thai leaders are apprehensive over what they believe to be a weakening in the US commitment to Thailand's security, and they are dismayed over criticism in the US of Thailand's role in the Vietnam war.

Bangkok is apparently prepared to pursue the rice issue forcefully in an effort to regain an appearance of equality in its partnership with the US. Although the Thai have been careful in the past to mute their differences with the US, both Thanat and Prime Minister Thanom have made the issue a central theme in recent press conferences. Thanom also said that his government plans to put the controversy on the top of its list of things to discuss during Vice President Agnew's coming visit to Bangkok. Thanat has already warned the US ambassador that a formal protest may be made if Washington is not "responsive" to his strong verbal protest.

The Thai, however, are aware of the limited leverage that they can apply to the US. While pressing hard for greater US recognition, for instance in the rice trade, they are unlikely to carry the current dispute beyond the limits of protest.

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Japan - Communist China: The Sato administration for domestic political reasons has responded swiftly to the announcement of new US - Communist China contacts in Warsaw.

Prime Minister Sato reportedly has called for official talks between Tokyo and Peking to begin "the earlier the better," at a location convenient to the Chinese. Sato made the statement while campaigning for the general elections scheduled for 27 December. Another high official on Saturday said that the government was considering talks at the ambassadorial level.

The Sato administration's quick response to the news from Warsaw will take considerable steam out of the opposition parties' use of the China issue to attack the government. In the past the opposition parties have criticized the government's handling of ties with Peking and have tried to capitalize on popular sentiment in Japan for improving relations with mainland China. Furthermore, important elements within the ruling party support closer ties with Peking.

Despite its campaign oratory and mindful of Japan's economic and security interests in Taiwan, the Sato administration will move cautiously in any effort to broaden its ties with Peking. [REDACTED]

[REDACTED]

Sato, however, does not want to be left behind by any US initiative toward China, particularly with the elections coming up next week and elections in 1970 for leadership of the government party. The Japanese press is already urging the government not to "miss the bus" if it proves possible to engage in meaningful diplomatic dialogue with Peking.

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East Germany - West Germany: Party leader Ulbricht has cautiously hinted that Pankow is willing to negotiate with Bonn.

Speaking at the central committee plenum on 13 December, Ulbricht indirectly acknowledged Chancellor Brandt's offer to begin negotiations without discrimination, and remarked that such negotiations can be started. Ulbricht apparently did not insist on preconditions for talks and seemed to be inviting an approach from Bonn.

Available excerpts from Ulbricht's long speech indicate that he did not demand that Bonn extend de jure recognition to East Germany. At one point, however, he stated that normalization of relations "means" recognition of East Germany as an equal, sovereign state. He also said that Pankow considers it necessary for the two Germanies to reach an agreement that is valid under international law and is based on Bonn's "political recognition" of East Germany. Although ambiguous, these statements suggest that Pankow now may be willing to accept de facto recognition. Brandt has acknowledged the existence of two German states but maintains that relations between the two Germanies have a special quality and that Bonn cannot give full de jure recognition.

Like other East German spokesmen, Ulbricht commented that Brandt's government program contained some positive aspects. He said that Pankow considers Bonn's signing of the nuclear nonproliferation treaty an element of "renewal." He also claimed, however, that Brandt's foreign policy program was full of contradictions, and denounced Bonn's attempt to prevent other countries from recognizing East Germany. Ulbricht insisted several times that Bonn must recognize East Germany's borders, renounce all authority over nuclear, biological, and chemical weapons, and renounce the Munich agreement of 1938 as invalid from its beginning.

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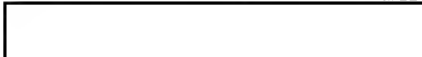
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Nordic Economic Union: The Nordic prime ministers have persuaded the Finns not to withdraw from negotiations on the proposed Nordic Economic Union (NORDEC).

Prior to the meeting of the four Nordic prime ministers late last week, Finnish Prime Minister Koivisto had advised the governments of Denmark, Norway, and Sweden that lack of unity within his government prevented Finnish participation in NORDEC negotiations until after the parliamentary elections in March. Copenhagen and Oslo responded by calling for adherence to the original schedule, which aimed for presentation of the NORDEC treaty at the February meeting of the Nordic Council.

Faced with the possibility that these differences might seriously damage the project, the four Nordic prime ministers agreed to loosen their negotiating timetable. They insisted, however, that these negotiations continue without interruption.

The prime ministers' decision not only rescues the Finns from the embarrassment arising out of their pre-election political infighting, but also shores up the Norwegian and Danish governments' positions against their Social Democratic opponents. The latter have strongly backed the NORDEC idea and have persistently charged their governments with a desire to dump the project and try for entry into the European Communities instead. The postponement of the deadline also gives the four governments another chance to back away from the confrontation building up over Swedish insistence that a common external tariff be introduced from the outset.



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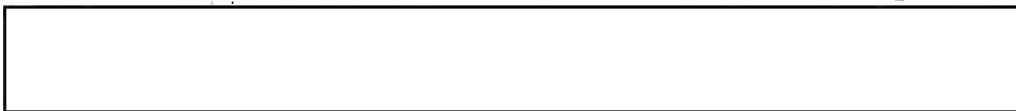
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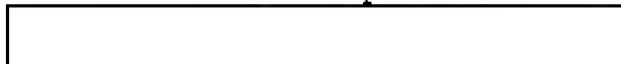
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Spain - Eastern Europe - USSR: Madrid expects to establish diplomatic relations with Hungary within the next few weeks and with Czechoslovakia shortly thereafter as part of its continuing effort to improve relations with Eastern Europe.

Formal relations may be set up by exchanging commercial and consular delegations staffed by personnel with diplomatic status. This arrangement would be similar to that which Spain established with Romania in 1967 and with Poland last July.



Eastern Europe and the USSR constitute only a small part of Spain's total trade, but this trade has been growing steadily since the early 1960s. It rose from \$28.1 million in 1961 to \$151.6 million last year. Spain is interested in encouraging a further increase as part of its plan to improve exports. In addition it wants to guard against the possibility of a failure in the negotiations between Spain and the European Communities for a preferential trade agreement.



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USSR - Central African Republic: The USSR, rebuffed in the mid-1960s, now is being offered an opportunity to expand its economic relations in the Central African Republic (CAR).

A delegation of 12 CAR officials, including several ministers of economic departments, left yesterday for the USSR. The group reportedly will negotiate a commercial agreement and discuss the purchase of passenger-cargo aircraft such as the Soviet AN-24 transport. A trade pact, drawn up in December 1966 but never signed, has been in abeyance since then.

The Soviets have maintained a limited economic presence in the CAR. Only about 25 Soviet teachers and medical personnel are in the country. Aeroflot, the Soviet airline, however, began service to Bangui in mid-November.

President Bokassa is trying to find new sources of foreign aid for the country, which is having severe financial difficulties. He probably feels that there is little hope in obtaining increased assistance from France, the principal aid donor. [REDACTED]

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Burundi: President Micombero's cabinet reshuffle has eased pressures that have been mounting over the past two months.

Foreign Minister Ntawurishira was ousted in order to facilitate Micombero's efforts to mend fences with Belgium, Burundi's major source of aid. The Belgians were irritated by Ntawurishira's persistent accusations that their embassy had aided coup plotters last September. Hopefully, Brussels will be satisfied by his dismissal.

The modified cabinet gives slightly improved stature to two important Tutsi extremists, which may please some who have become disenchanted with Micombero's policy of tribal reconciliation. On the other hand, by again granting cabinet posts to several members of the majority Hutu tribe, Micombero has indicated he will continue this policy. His gesture may even presage greater leniency toward the handful of Hutus who face a possible death sentence for allegedly masterminding the coup planning last September.

The cabinet changes were probably timed to coincide with Micombero's trip to Rwanda this Thursday for a conference with the presidents of Rwanda and Congo (Kinshasa). His efforts to end the Burundi-Belgian impasse may facilitate his role in discussions of regional economic planning, and his gesture toward the Hutus should impress the Hutu-led regime of Rwanda. Finally, Micombero's attempt to mollify Burundi's extremists might preclude their plotting against him while he is out of the country.

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[Panama: Opposition to the ouster of General Torrijos is developing.

There are indications that the Chiriqui, Veraguas, and Tocumen National Guard garrisons will not join Colonels Silvera and Sanjur, who yesterday removed Torrijos from his post as Guard commandant.

Torrijos, who was in Mexico when the dissident officers moved against him, last night was in El Salvador conferring with the Panamanian ambassador. He may try to go to Panama's second largest city, David, where the majority of his support now exists. Silvera and Sanjur apparently hope to isolate these forces before Torrijos arrives.

Thus far Silvera and Sanjur have been able to gain the support of the majority of the National Guard. If Torrijos and his supporters seriously contest this seizure of power, however, the cleavages within the Guard may widen and could degenerate into armed clashes.

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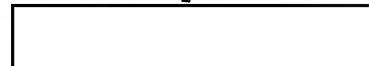
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Netherlands Antilles: A government finally has been formed after three months of political wrangling.

The new government will replace the interim administration that has governed since the destructive riots last May. It is headed by Minister-President Petronia, who has been trying to form a government since the elections on 5 September in which no party received a majority. The new coalition is composed of the Democratic Party (DP), its traditional ally the Aruba Patriotic Party (PPA), and the Workers Front.

The Workers Front, a leftist party formed after the riots last May, has been awarded two ministerial posts for cooperating in the formation of the new government. The DP and the PPA--both relatively moderate--will receive three cabinet seats each. The inclusion of the Workers Front in the new government should reduce the chances of a recurrence of the May disorders. These were caused in large part by discontent in the labor movement over the high rate of unemployment and the lack of adequate government social welfare programs.



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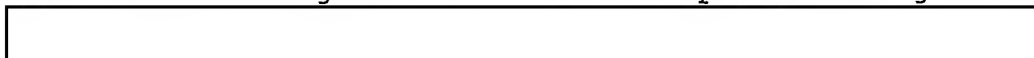
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Warsaw Pact: The Committee of Defense Ministers will hold its first meeting this month in Moscow. The "state of the Pact armies and measures for strengthening the defense capacity of the member states" will be examined, according to a Budapest radiobroadcast. The committee, which was established at the Pact summit meeting in Budapest in March 1969, is charged with reviewing the Pact's military requirements and drawing up proposals for increasing the effectiveness of the joint armed forces. Another newly established Pact body, the Military Council, met in Moscow last week, probably to discuss implementing changes in the Pact's command structure agreed to at the Budapest meeting.

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Czechoslovakia: The virtual banishment of Alexander Dubcek to Turkey as Prague's ambassador is significant for what it suggests concerning party chief Husak's intentions toward the 1968 reformers and the 1969 dissidents. Like Dubcek, liberals ousted from power probably will be kept outside the mainstream of political life, and those who are less prestigious than the former first secretary could be reduced to eking out a bare existence. Husak recently said that Dubcek would be given a chance to redeem himself, but there has been no indication from Dubcek that he wishes to recant and to win the favor of the present leadership. Because Turkey is a non-Communist country, the appointment also hints that well-known mavericks such as Dubcek will be given the opportunity to defect, presumably on the theory that exiles seldom have political influence in their homeland and can easily be discredited.

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USSR-Canada: The USSR has signed a 3.4 million-ton wheat deal with Canada, covering a purchase obligation under an agreement that had expired in August. Two million tons are to be shipped during 1970, part of which may be used to supply Soviet foreign grain clients. The deal provides specifically that Cuba is to receive 260,000 tons in the form of flour next year. Shipping dates for the remainder of the wheat were not designated. The agreement follows the conclusion of a mediocre harvest in the USSR.

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